

**GATEWAY ECONOMIC DEVELOPMENT
CORPORATION OF GREATER CLEVELAND**

**Minutes of a Meeting of the
Board of Trustees**

**Held on May 4, 2017
3:00 o'clock p.m.**

**Offices of
Climaco, Wilcox, Peca & Garofoli Co., L.P.A.
Cleveland, Ohio**

There being a quorum present, Mr. Carroll called the meeting to order at approximately 3:15. p.m. Board members Emmanuel Glover, William Reidy, and Matt Carroll were present. No Board members were absent. Also present were Todd Greathouse, Brian Kelly, and Daniella Nunnally of Gateway, as well as Dennis Wilcox and David Cuppage as Gateway's General Counsel. Present as Financial Advisor to the County was Timothy Offtermatt. Present from the media was Karen Farkas of Cleveland.com. Present from the Cleveland Cavaliers were Len Komorowski, Jason Hillman and Antony Bonavita. Present from the public was William Tarter.

The first order of business was to elect a Vice Chair. Upon motion made by Mr. Reidy, and seconded by Mr. Glover, Mr. Carroll was elected Vice Chair by unanimous 3-0 vote.

The second item of business was to approve the minutes of the November 16, 2016 meeting. Upon motion made by Mr. Reidy, and seconded by Mr. Glover, the minutes of the November 16, 2016 Board meeting were unanimously approved.

Public comment was next. Mr. William Tarter stated that he was attempting to understand the process for moving forward, reviewing proposals going to County Council, and appreciated the communication with the Gateway Board. There were no further comments from the public.

Next, was the Executive Director's report. Mr. Greathouse gave a short narrative on each project.

Mr. Greathouse first reported on Quicken Loans Arena. He reviewed Major Capital projects, stating that the scoreboard hoist project was on budget. He noted the Cavaliers had paid \$575,000 for this item and were waiting for reimbursement from the County. Mr. Greathouse reported that the retractable seating project was on budget (and also awaiting County approval), and that a \$500,000 savings was secured. This project is in the final stages. Mr. Greathouse reported that the Arena roof project was proceeding with additional work getting started in June. Of the \$4,174,000 roof budget, \$306,000 is pending approval at the County.

Mr. Greathouse next discussed the Major Capital projects at Progressive Field. He stated that these projects were going well and closeouts were in the process for Phase I and Phase II. Mr. Greathouse reported that safety and security systems punch lists items were being worked on. He

noted that suite box glazing is under budget. Mr. Greathouse reported that the high steel painting project is moving ahead. He also reminded the Board that the concrete resurfacing project budget was cut in half. Funds saved would be re-allocated to the elevator systems and LED field lights shortfalls. Finally Mr. Greathouse reported that the field lighting systems passed MLB testing and that control system issues are being worked out.

Mr. Greathouse directed the Board to Phase III concerning the suite renovations and a new Major Capital request from the Indians for \$1,184,000. Phase III is consistent with Phase I and II. Indians request utilizing past savings on approved Major Capital projects of \$450,000 and current excise tax proceeds held by the County available for the Ballpark in an amount of \$750,000 to be approved for such renovations.

After further discussion, upon motion by Mr. Reidy and seconded by Mr. Glover, the following resolution was unanimously approved by the Board.

GATEWAY ECONOMIC DEVELOPMENT
CORPORATION OF GREATER CLEVELAND

RESOLUTION NO. 2017-1

REGARDING RECOMMENDATION WITH RESPECT TO
REQUEST FOR MAJOR CAPITAL REPAIRS FROM
THE CLEVELAND INDIANS BASEBALL
COMPANY LIMITED PARTNERSHIP

WHEREAS, Gateway Economic Development Corporation of Greater Cleveland ("Gateway") has agreed to provide for Major Capital Repairs as defined in the Lease (the "Lease") between Gateway and Cleveland Indians Baseball Company Limited Partnership (the "Cleveland Indians"); and

WHEREAS, the Board of Gateway has previously notified the City of Cleveland, Ohio ("City") and Cuyahoga County ("County") that Gateway does not have sufficient funds to pay Major Capital Repairs as defined in the Lease and requested the respective appointing authorities of Gateway, the City and the County, to consider such funding of Major Capital Repairs; and

WHEREAS, on May 9, 2012 the Board adopted Resolution No. 2012-1 setting forth its policies and procedures with respect to Major Capital Repairs ("Policy"); and

WHEREAS, the Cleveland Indians have submitted a request for approval of Major Capital Repairs to the Ballpark under the Lease; and

WHEREAS, the Board has reviewed such request and pursuant to the Policy has received information from its professional consultant recommending approval of such items as Major Capital Repairs; and

WHEREAS, the Gateway Board desires to recommend approval of the Major Capital Repairs request from the Cleveland Indians as further described in Exhibit A attached hereto.

NOW, BE IT RESOLVED, that the Board of Trustees of Gateway, on behalf of Gateway, finds that the requested Major Capital Repairs from the Cleveland Indians for the Ballpark, attached as Exhibit A hereto, are Major Capital Repairs under the Lease and are hereby recommended for approval.

BE IT FURTHER RESOLVED, that this Resolution, including the attached Exhibit A, constitutes Gateway's recommendation under the Policy and shall be forwarded to the City and the County forthwith and Gateway shall continue to provide information to the City and the County as requested to support this recommendation.

BE IT FINALLY RESOLVED, that the Board respectfully requests the County or City make a decision as to this recommendation no later than July 31, 2017.

Exhibit A

Cleveland Indians Major Capital Request May 4, 2017

New Ask – Pending County Approval

Item	Recommended by Gateway	Comment
Phase #3 Suite Renovations	\$1,184,055.00	Per December 1, 2016 letter, this will be covered by \$450,000 from savings and \$750,000 from excise tax proceeds

Detail of Project

Detail of Reimbursable Excise Tax Costs; Suite Renovations	Forecast
Glazing	\$446,060.00
Resinous Flooring	\$154,265.00
Fire Suppression	\$ 61,500.00
Electrical, Plumbing, & HVAC	\$403,730.00
Whirlpool Refrigerators/Induction Burners	\$102,500.00
Spray On Fireproof Patching	\$ 16,000.00
Total	\$1,184,055.00

Mr. Kelly then reviewed with the Board the Cleveland Cavaliers major capital summary sheet. Mr. Kelly reported that the estimate to complete the upper roof project is \$3,768,852, The estimate to complete the remaining roof cost (lower roof – mechanical bitumen) is \$1,585,754 The estimate to complete the remaining roof costs (lower roof - modified bitumen) equals \$1,879,778.

Mr. Greathouse reported that there are no written resolutions for these major capital repairs.

After further discussion, upon motion by Mr. Reidy to approve a use of available funds for Arena roof related expenses presented and seconded by Mr. Glover, the motion was unanimously approved by the Board.

Mr. Greathouse further reported that the Phase III ballpark alterations including suite renovations went very well, and are funded by the Indians.

Mr. Greathouse then reported, with respect to the Quicken Loans Arena Transformation Project, that the Board has received a term sheet and draft of a new lease and other materials to describe the Arena Transformation Project. Mr. Greathouse stated that Mr. Offtermatt would make a presentation.

Mr. Offtermatt provided a history of the current Cavs lease and observed that, under the Lease, the Cavs continue paying the operating costs and capital repairs up to \$500,000. Capital repairs above \$500,000, known as major capital repairs, are obligations of Gateway, which are currently being funded by the Countywide “sin” tax, as approved in 2012.

Mr. Offtermatt stated that he believed that the Cavs lease is one of the most public sector friendly leases in the nation. Mr. Offtermatt reported that the new lease is close to being finalized. The old lease is being completely replaced. However, the Sixth Lease Amendment economics remain in place. Gateway and County contingency costs are gone. Finally, the Cavs lease is being extended through 2034, or for a total of 40 years from its commencement.

Mr. Offtermatt reported that, key to the lease, are the new alterations. Financing is in the amount of \$140 million. Cavs will fund the cost overruns in construction. The Cavs are far along on the design process.

He stated that Cuyahoga County will sell three series of bonds in the aggregate of \$140 million. The County will secure the bonds with sales tax revenue. Gateway’s role will be to execute assignment agreements for the three Series of bonds, as well as the new lease.

Mr. Offtermatt reported that the Cavs pay the debt service on one series of bonds – Series C – by rent, and the rent will be assigned to Cuyahoga County via a bond trustee, The Huntington National Bank. A contingent rent assignment is also included for the Series B Bonds.

Mr. Offtermatt reported that the \$70,000,000 taxable Series C bond issue is paid by the Cavs rent. The Series B bond issue is slightly more complex, and is funded through revenues from tax sources from Quicken Loans Arena – postseason sales tax and admissions tax at the Arena.

Mr. Offtermatt reported that Cleveland City Council approved an extension to the current City admissions tax agreement with the County for the Arena admission taxes to pay for "Cooperative" bonds.

He noted that any revenues (because there were no minimum or maximum revenues), that are in excess of revenue necessary for debt service would be placed into reserve funds. One would cover debt service shortfalls or early retirement of debt. The other, would be deposited into a reserve for a potential project involving another sports facility. If the other sports facility project is not completed by 2023, then the cash is available for debt service shortfalls.

If there are still short falls, the Cavs must pay for additional, contingent rent, which runs through the assignment agreement, to the County to the trustee.

He summarized in conclusion by pointing out that \$20 million of taxes are generated to the City and County by the Arena and the amount committed to debt service is only about \$9 million.

Mr. Wilcox directed the Board to Resolution 2017-2 which approves the new Cavs Lease, the Transformation Agreement and Assignments.

He reminded the Board that Gateway was not obligated to repay the County Bonds being issued, and that Gateway would be performing its traditional oversight role in construction of the Arena improvements as it has in other alteration projects.

After further discussion, upon motion by Mr. Reidy and seconded by Mr. Glover, the following resolution was unanimously approved by the Board.

GATEWAY ECONOMIC DEVELOPMENT
CORPORATION OF GREATER CLEVELAND

RESOLUTION NO. 2017-2

REGARDING AUTHORIZATION AND
APPROVAL OF (1) NEW LEASE AND MANAGEMENT AGREEMENT
BETWEEN GATEWAY ECONOMIC DEVELOPMENT
CORPORATION OF GREATER CLEVELAND AND
CAVALIERS OPERATING COMPANY, LLC; (2) AGREEMENT
REGARDING TRANSFORMATION OF QUICKEN LOANS ARENA;
(3) ASSIGNMENT AGREEMENT; AND (4) RELATED
DOCUMENTS IN CONNECTION THEREWITH

WHEREAS, Gateway Economic Development Corporation of Greater Cleveland ("Gateway") and Cavaliers Operating Company, LLC (the "Cavaliers") previously entered into various agreements with respect to the Multi-purpose Arena owned by Gateway, including the Lease and Management Agreement, dated as of the 20th day of December, 1991, a First

Amendment to Lease and Management Agreement dated as of April 30, 1992, a Second Amendment to Lease and Management Agreement dated as of September 15, 1993, a Third Amendment to Lease and Management Agreement and Amendment to Construction and Other Agreements dated as of June 15, 1994, a Fourth Amendment to Lease and Management Agreement, and Amendment to Construction and Other Agreements dated as of June 28, 2001 and effective as of December 9, 1996, a Fifth Amendment to Lease and Management Agreement, and Amendment to Other Agreements dated as of June 28, 2001, a Sixth Amendment to Lease and Management Agreement and Other Agreements dated as of November 30, 2007, and a Seventh Amendment to Lease and Management Agreement dated as of October 6, 2011 (hereinafter collectively referred to as the "Existing Lease") pursuant to which Gateway leased to the Cavaliers as Lessee and Lessee leased from Gateway certain land and improvements constituting an approximately 20,000 seat Arena with related amenities and offices (the "Arena Improvements"), on certain real property located in the City of Cleveland, Ohio owned by Gateway (the "Arena Land" and, together with the Arena Improvements, the "Arena"); and

WHEREAS, Gateway and Lessee have entered into several agreements relating to the Existing Lease, including the following, as amended and modified to date ("Other Agreements"): Common Area Easement and Maintenance Agreement dated as June 28, 2001, as amended by that certain First Amendment to Common Area Easement and Maintenance Agreement dated October 6, 2011 (the "Gateway CAM Agreement") with respect to certain Gateway-owned property (the "Gateway Common Areas"), and that certain Arena Naming Rights Agreement effective September 15, 1994 (the "Naming Rights Agreement"); and

WHEREAS, Lessee is the holder of the franchise issued by the National Basketball Association ("NBA") for the territory which includes the City and is the owner of the Cleveland Cavaliers professional NBA basketball team ("Team"); and

WHEREAS, as part of the original financing for the Arena, the County of Cuyahoga, Ohio (the "County") issued an aggregate of \$120,000,000 in Non-Tax Revenue Bonds, a portion of which are still outstanding; and

WHEREAS, Gateway and Cavaliers have been working cooperatively with the County and the City on a major improvement project for the Arena; and

WHEREAS, Gateway, the Cavaliers and the County have had discussions resulting in an Agreement Regarding the Transformation of Quicken Loans Arena (the "Transformation Agreement") providing, among other things, that the parties work to provide financing through the County's issuance of sales tax bonds (the "Bonds") to construct improvements to the Arena in an amount not less than \$140,000,000 ("Arena Transformation Bonds"), known as the Arena Transformation Project; and

WHEREAS, in return for the County's issuance of the Bonds described in the Transformation Agreement, the Cavaliers have agreed to enter into the new Lease and Management Agreement (the "Lease") to, *inter alia*, replace the Existing Lease in its entirety, to extend the term contained in the Existing Lease and to make certain other changes to the Existing

Lease necessary to facilitate the issuance of the Bonds and construct the Arena Transformation Project, including payment of Additional Rent by the Cavaliers as Lessee; and

WHEREAS, in order to further complete the Arena Transformation Project, Gateway desires to enter into an Assignment Agreement with the County and Trustee of the Bonds respecting disbursements of proceeds of the Bonds and assignment of certain Additional Rent and Contingent Rent under the Lease to the Trustee and to execute other documents to implement the Lease and Arena Transformation Project.

WHEREAS, Gateway and the Cavaliers have memorialized their agreements in the Lease, including exhibits thereto, which has been submitted to the Board in substantially final form.

WHEREAS, the Board of Trustees of Gateway (the "Board") desire to approve the Lease, the Transformation Agreement and Assignment in substantially the forms presented subject to the conditions herein (the "Lease Documents").

NOW, BE IT RESOLVED, that the Board on behalf of Gateway does hereby authorize and approve the Lease Documents in substantially the form as presented to the Board.

BE IT FURTHER RESOLVED, that the Chairman, Vice-Chairman, Secretary-Treasurer or Executive Director are and each of them is hereby authorized and empowered for and on behalf of Gateway in its name to execute and deliver the Lease Documents in substantially the form as submitted to the Board of Trustees or on such other terms and conditions, not materially adverse to Gateway, as the officer or officers of Gateway executing the same, without further action by or notification to the Board shall in his, her or their judgment be deemed necessary, advisable or desirable in connection therewith, which execution or approval shall constitute the conclusive evidence of the approval and authorization thereto of Gateway.

BE IT FINALLY RESOLVED, that the Chairman, Vice-Chairman, Secretary-Treasurer, or Executive Director are and each of them is hereby authorized and empowered to take any and all actions necessary or proper to carry out the terms of the Lease Documents, including, without limitation, execution and delivery of a Memorandum of Lease, Construction Contracts or such other documents, instruments or agreements as may in their individual or collective judgment deemed be necessary, desirable, advisable or convenient in connection with such agreements and to implement the Arena Transformation Project and in connection with the Bonds, and such other action taken or documents, agreements or instruments executed by the authorized officers of Gateway shall constitute conclusive evidence of the approval and authorization of Gateway.

* * *

Mr. Kelly then gave the financial report. He first presented a statement as of March 31, 2017 of the operating account with a \$167,514 beginning balance on March 1, \$377,273 in total receipts, \$251,796 total disbursements for the month, and a March 31 balance of \$292,992.

He then reviewed the ballpark capital account statement for the month of March 2017. He reported the opening balance to be \$18,036, \$750,000 total receipts, \$538,996 total disbursements, and an ending balance of \$229,240.

Mr. Kelly then reviewed the 3-month projections for April-June showing a total account balance as of April 1 of \$292,992. Anticipated revenues equal \$773,612. The estimated balance as of June 30, 2017 before disbursements is \$1,066,604. The forecasted distribution is \$950,339, for an estimated operations account balance as of June 30, 2017 of \$116,265.

Mr. Kelly next provided a Progressive Field alteration account statement. Total receipts for 2017 equal \$1,932,969. Total receipts from 2014 through 2017 equal \$39,729,517.

He then provided a Progressive Field major capital account. Various items are being requested by Gateway to the County for reallocation towards LED lighting, including amounts previously approved for the sound system, scoreboard, and concrete. The total Major Capital amount approved equals \$37,415,629.

Mr. Kelly then provided a Quicken Loans Arena major capital spreadsheet. Mr. Kelly reported the total amount approved thus far equals \$33,048,407, while the total paid equals \$26,273,149. Finally, Mr. Kelly reported that the audit was now underway.

Mr. Carroll stated that the last item for business was with respect to the next Board meeting. It was determined the next meeting would be Wednesday, May 24, 2017, at 3:00 PM.

There being no further business, the meeting was adjourned at 4:30 PM.

APPROVED:

Secretary-Treasurer